

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 COME-00 INT-08 TRSE-00 OMB-01

SPC-03 AID-20 NSC-10 RSC-01 CIEP-02 SS-20 STR-08

CEA-02 CIAE-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 /150 W

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R 211310Z JAN 74

FM AMCONSUL MILAN

TO SECSTATE WASHDC 3479

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

US MISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMCONSUL GENOA

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMCONSUL NAPLES

AMEMBASSY PARIS

US MISSION OECD PARIS

AMEMBASSY ROME

AMCONSUL TURIN

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E.O. 11652: N/A

TAGS: EIND, ETRD, IT

SUBJECT: U.S. FERROUS SCRAP EXPORTS

REF: (A) STATE 245805; (B) MILAN 1916; (C) STATE 236397

PASS COMMERCE

1. SUMMARY: COMPLAINTS TO CONSULATE RE FUNCTIONING OF U.S.

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FERROUS SCRAP EXPORT CONTROLS SUGGEST THAT PRESENT PROCEDUR*S

HAVE CREATED POTENTIALLY SERIOUS PROBLEM FOR BOTH ITALIAN CONSUMERS AND U.S. SCRAP EXPORTERS THAT THREATENS TO FRUSTRATE U.S. INTENTION TO SUPPLY NEEDED SCRAP.

2. CONSULATE CONTACTS WITH CAMPSIDER (CONSORTIUM FOR THE PROVISIONMENT OF RAW MATERIALS TO THE (ITALIAN) STEEL INDUSTRY) PRESIDENT DEL GUERCIO, GUERRINI & RUGGERI, A MAJOR ITALIAN IMPORTER (REPRESENTING THE BRESCIA STEEL AND FOUNDRY INDUSTRY) AND REPRESENTATIVES U.S. SCRAP EXPORTERS REVEAL UNANIMOUS PESSIMISM RE POSSIBILITY ITALIAN INDUSTRY ACTUALLY RECEIVING AMOUNTS U.S. FERROUS SCRAP ALLOTTED UNDER EXPORT CONTROL PROGRAM. MAJOR DIFFICULTY THEY CLAIM RESULTS FROM DISTRIBUTING EXPORT ALLOCATIONS TO U.S. SCRAP DEALERS IN MANNER LEADING TO FRAGMENTATION OF ALLOCATIONS, IGNORING ECONOMIC CONSIDERATIONS WHICH DICTATE CLOSE ATTENTION TO TRANSPORT COSTS. THIS MEANS AGGLOMERATING SCRAP FOR EXPORT IN SHIPLOAD LOTS (20,000-25,000 SHORT TONS). REPORTEDLY, SOME EXPORTERS HAVE RECEIVED ALLOCATIONS OF AS LITTLE AS 400 S.T., IMPOSSIBLE TO UTILIZE DUE PROHIBITIVE FREIGHT RATES. RESULTS FORE SEEN BY GUERRINI & RUGGERI AND OTHERS WILL BE (1) TRAFFICKING AND SPECULATION IN EXPORT LICENSES; (2) ABANDONMENT OF EXPORT SALES BY U.S. EXPORTERS; AND (3) POTENTIAL DAMAGE TO FOREIGN CONSUMERS OF U.S. FERROUS SCRAP. AT VERY LEAST, COSTS WOULD BE UNNECESSARILY INCREASED FOR BOTH U.S. EXPORTER AND FOREIGN CONSUMER.

3. MAJOR CAMPSIDER DESIRE IS TO ASSURE SUFFICIENT SUPPLIES TO PERM*T SMOOTH FUNCTIONING ITALIAN STEEL INDUSTRY. (CURRENT SITUATION IS NOT GOOD, BUT SUPPORTABLE. SCRAP STOCKS NOW ON HAND APPEAR TO BE SUFFICIENT TO TIDE INDUSTRY OVER NEXT MONTH OR SO, AND RAIL TRANSPORT PROBLEMS HAVE EASED SOMEWHAT PERMITTING MORE REGULAR DELIVERIES FROM FRENCH AND GERMAN SUPPLIERS.) SPECIFICALLY, CAMPSIDER HAS ASKED CONSULATE TO HELP OBTAIN CLARIFICATION AND RESOLUTION PROBLEM CONCERNING FULLFILMENT OF CONTRACT SIGNED WITH SCHIABO INTERNATIONAL (SCHIAVONE-BONOMO), JERSEY CITY, N.J. IN LATE 1973 CALLING FOR DELIVERY C.A. 105 THOUSAND S.T. IN FIRST QUARTER 1974. (SEE PARA 4 BELOW) SCHIABO REPORTS ALLOCATION ONLY 56 THOUSAND S.T., AND CONSEQUENTLY UNABLE TO MEET CONTRACT. THUS, QUESTION IS WHETHER CAMPSIDER TO NEGOTIATE

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NEW CONTRACTS AND PUT TOGETHER CONSORTIUM OF EXPORTERS HOLDING SUFFICIENT ALLOCATIONS TO MEET CAMPSIDER NEEDS; OR IS THIS SERVICE TO BE PERFORMED BY THE CONTRACT HOLDERS BY BUYING OR TRADING UN-USED AND UN-USABLE ALLOCATIONS FROM OTHER U.S. SCRAP COMPANIES? EITHER OF THESE ALTERNATIVES APPEARS TO INVOLVE CONSIDERABLE COST AND FURTHER DELAYS IN SHIPMENT. IT IS HOPED THAT THE DEPARTMENT CAN FIND SOME WAY OR COURSE OF ACTION THAT THE CONSULATE CAN RECOMMEND TO DR. DEL GUERCIO.

4. CAMPSIDER CONTRACTS CALLING FOR FIRST QUARTER 1974
DELIVERY TOTAL 170,570 S.T. (QUOTA: 172,400 S.T.) AS
FOLLOWS:

(A) SCHIABO INTERNATIONAL (SCHIAVONE. BONOMO), JERSEY CITY,
N.J.: 102,900 METRIC TONS EQUAL TO 113,450 S.T.

(B) ABRAHAM POLLOCK, PHILADELPHIA , PA.: 16,000 LONG TONS
EQUAL TO 17,920 S.T.

(C) LURIA BROTHERS & CO., INC., NEW YORK, N.Y.: 15,000 LONG
TONS EQUAL TO 16,800 S.T.

(D) SCHIAVONE-CHASE CORP., NEW YORK, N.Y.: 20,000 LONG TONS
EQUAL TO 22,400 S.T.

5. COMMENT: THE BASIS AND NEED FOR U.S. EXPORT CONTROLS ON
FERR US SCRAP ARE NOT BEING DEBATED BY CAMPSIDER OR OTHERS
BUT ALL URGE THAT IMPRACTICAL AND INFLEXIBLE PROCEDURES SHOULD
NOT BE ALLOWED TO CAUSE UNDUE DIFFICULTIES FOR FOREIGN CON-
SUMERS WITH RESULTING DAMAGE TO U.S. EXPORTS AND BALANCE-OF-
PAYMENTS. BOTH ITALIAN AND U.S. INDUSTRY REPRESENTATIVES
RECOGNIZE BREAKING-IN PROBLEMS WILL CAUSE INEVITABLE DIS-
LOCATIONS AND INCONVENIENCES. THEY ARE PREPARED TO LIVE
WITH THESE. BUT THEY HOPE PROBLEMS DESCRIBED ABOVE WILL
LEAD TO A WILLINGNESS BY U.S.G. TO EXPERIMENT WITH REGULATIONS
AND ADOPT MODALITIES THAT ARE MORE WORKABLE.

6. FOR USEC-BRUSSELS: DEL GUERCIO INFORMED CONSULATE THAT EC
HAD BEEN ASKED TO ASSIST IN OBTAINING CLARIFICATION OF
SITUATION. FINA

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